

PHI ProPBM - Executive Summary

EXHIBITA



EXECUTIVE SUMMARY

The pharmacy benefit management (PBM) industry has matured in its use of previously developed computer hardware and software applications. Increasingly complex payer requirements relative to benefit design and new challenges for information access have caused pharmacy benefit management organizations to review their existing system capabilities.

Pharmacy providers have evolved in the use of more sophisticated point of sale computer systems. Similarly, PBM's are finding it necessary to upgrade their own systems in order to keep pace with the industry and take advantage of opportunities associated with the control and management of prescription data.

Today, PBM's are demanding software solutions which will allow them to obtain total centralized control of pharmacy providers and the resulting prescription data, so as to provide both cost savings and a higher level of patient care. The Prospective Health system is that solution.

PBM legacy systems are often designed around aging technology and are typically deficient in a number of areas, including:

- Benefit design flexibility
- Effective formulary control
- Edit capabilities
- Drug Utilization Review
- Provider audit capability
- Cognitive Services tracking
- Payer/Provider reporting
- Advanced Pharmacy/Physician Networking
- Client/Server Architecture
- Intuitive user interface

ProPBM effectively addresses these issues. On the following pages you will find an overview of the *ProPBM* system capabilities. We encourage you to examine this in detail and to contact us for a demonstration of the system. Thank you for your interest in PHI.



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EXHIBIT B

PHI - Development Approach



Given the pace of technological change in today's business environment, more and more companies are finding it difficult to keep their systems flexible enough to meet the demands of their business and their customers. As the pharmacy industry experiences these technological shifts, many companies need to update the legacy systems that have been in place for years. PHI provides a solution to these problems.

Using the latest database technology, along with client/server architecture and object oriented programming, the PHI **ProPBM** system provides a complete solution for pharmacy benefit management organizations. Unlike legacy systems, the PHI system is designed to be easily maintained. **ProPBM** is made up of various components which can be easily modified and then "plugged" back into the system with few or no changes to the core system. This allows new features to be added when they can still help generate new business or retain existing customers.

With the ever-changing pharmacy benefit market, it is important that a system be flexible; but, it's also important that the company developing the system understands the market and be able to move aggressively to meet the needs of its customers. PHI knows this and works very closely with our clients. Through initial discussions and demonstrations, installation and training, PHI is there every step of the way. After installation and training is complete, PHI works with clients to ensure that all components are optimized to meet or exceed expected performance. We understand that our biggest commitment to the customer is after the sale.

Development Highlights:

- Multit-Platform
- Client/Server Architecture
- Graphical Interface
- Relational Database Technology
- Scalable
- Data Mining capabilities
- Designed for high volume OLTP
- Decision Support Database

All PHI systems follow defined NCPDP industry standards.



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EXHIBIT C

PHI ProINTERCEPT



ProINTERCEPT was developed to enhance the financial returns for retail chains on their third party prescription transactions. The system provides the corporate office the ability to monitor and, if required, manipulate the inbound and outbound transactions from their retail pharmacy locations.

Please feel free to take a tour of our online system description.

- [PHI ProINTERCEPT - Executive Summary](#)New!Hot!
- [PHI - Development Approach](#)
- [ProINTERCEPT - Overview](#)



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EXHIBIT D

ProPBM Functional Modules



- **Member Eligibility** - provides complete functionality for maintaining membership data. The system accepts a variety of input, including tape, disk and electronic.
- **Helpdesk** - The helpdesk facility allows authorized users to examine a prescription transaction at the lowest detail level. In addition, authorized users have access to plan and membership information, physician pharmacy network, drug master file and formulary information all within the same system, only a mouse click away. Authorization can be view only or the user may have edit capabilities if needed.
- **Plan Edits** - The plan edits module truly showcases the flexibility of the *ProPBM* system. Many components can be copied and reused to create other plans. This applies to price schedules, copay schedules, networks and all levels of drug edits (drug class, therapy class, GPI and NDC).
- **Reporting (ProANALYST)** - In addition to the multiple standard reports the system provides, *ProANALYST* allows the user to create custom reports quickly with no programming involved.
- **Switch (ProNET)** - The *ProNET* communication application handles point-of-service prescription transactions in the NCPDP standard 3.2 format from any software in place at pharmacies. Support of multiple communication protocols provides access through all major common carriers.



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PHI - Development Approach

EXHIBIT E



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- Multi-Platform.
- Client/Server Architecture.
- Graphical Interface.
- Relational Database Technology.
- Scalable.
- Data Mining Capabilities.
- Designed for high volume OLTP.
- Decision Support Database.

All PHI systems follow defined NCPDP industry standards!



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PHI - Development Approach

EXHIBIT F



Given the pace of technological change in today's business environment, more and more companies are finding it difficult to keep their systems flexible enough to meet the demands of their business and their customers. As the pharmacy industry experiences these technological shifts, many companies need to update the legacy systems that have been in place for years. PHI provides a solution to these problems.

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EXHIBIT G

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EXHIBIT H

PHI ProPBM



ProPBM is the most advanced Pharmacy Benefit Management System available today. Using the latest client/server technology, **ProPBM** provides a stable, scalable solution for today's Pharmacy PBM.

Please take a minute to review some more details about the PHI **ProPBM** system.

- PHI ProPBM - Executive SummaryNew!Hot!
- ProPBM - Overview
- ProPBM Functional Modules
- PHI - Development Approach



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ProINTERCEPT - Overview

EXHIBIT I

ProINTERCEPT is the retailer's solution for centralized management and control of all pharmacy transactions. This includes all cash and third party prescriptions.

- ProIntercept - Key FeaturesHot!
- On-line Third Party Rx Editing
- Non-Online Insurance Prescriptions
- Cash Prescription Processing
- Drug Utilization Review

ProIntercept - Key Features Hot!

- Transmission of messages form a virtually unlimited number of retail stores to corporate offices.
- On-line, real-time analysis, capture and disposition of every prescription transaction.
- Direct communications interfaces to every major third party administrator.
- Prospective audits of pharmacist dispensing decisions.
- Prospective audits of third party administrators adjudication decisions.
- Retrospective analysis of all data collected to provide:
 - *Reconciliation of payment for third party prescriptions.*
 - *Centralized inventory controls via custom interfaces with each client's purchasing and distribution systems.*
 - *Pharmacy Dispensing Patterns review.*
 - *Cognitive Services documentation.*

ProNET, the system's switch module, handles point-of-service prescription transactions in the NCPDP's standard 3.2 format from any software in place at pharmacies. **ProNET** supports X.25 communications protocol for in-bound prescription traffic, and SNA, BiSync, X.25 and other communications protocols for direct connect to all major third party administrators.

On-line Third Party Rx Editing

Third party prescriptions which are to be adjudicated on-line by a third party administrator are edited twice by **ProINTERCEPT**, once during Pre-Adjudication to audit the pharmacist product selection against known administrator edits, and again during Post-Adjudication to audit the administrator against anticipated pricing responses within centrally prescribed thresholds.

Pre-Adjudication is the process of centrally reviewing, editing and pricing prescriptions prior to completing the dispensing of the medication by the in-store pharmacist or switching the transaction to a third party administrator for adjudication.

Post-Adjudication is the process of integrating information from all sources prior to dispensing the prescription's medication by the in-store pharmacist.

Pre-Adjudication edits which determine that the pharmacist product selection, quantity, dosing, days supply, etc. are outside the administrators thresholds, or may result in unwanted approvals from the administrator, will prevent the prescription from being forwarded on for adjudication. This saves unnecessary communications expense as well as losses resulting from unwanted approvals below expected reimbursement levels.

Post-Adjudication edits which determine that the administrator's approval amounts fall below expected reimbursement levels may be reversed in-flight or noted and indicated to the pharmacist via standard NCPDP messaging facilities. Post-Adjudication guarantees that copays are calculated according to guidelines set by corporate even if an administrator's system is incapable of properly calculating the plan defined copayment amount. Transactions resulting in a plan sponsor having no financial responsibility can finally be managed according to what's best for both the patient and the provider, under control of the provider and not the administrator.

Unique to the *ProINTERCEPT* application is the ability to "capture" profiled but unapplied edits which, via *ProANALYST*, can predict the effect of such prescription edits without imposing them immediately. In this way, central office personnel can make informed decisions about the applicability of certain types of prescription edits before actually applying them.

Non-Online Insurance Prescriptions

Prescriptions not yet adjudicated on-line can be edited by *ProINTERCEPT*, validating the pharmacist product selection, plan sponsor prescription limitations and reimbursement guidelines. This results in reduced bad debt, decreased partial payments, decreased store labor, and eliminates the need for pre-edits which may currently be done by other processors

Cash Prescription Processing

Cash prescriptions submitted by pharmacies are audited against centrally defined edit and pricing criteria.

The edits ensure product selection is controlled at corporate, to maximize the pharmacy chain's financial consideration from manufacturers for product conversion incentives and rebates. A central office mandate to change generic manufacturers is implemented smoothly and efficiently. Special system-wide edits provide for immediate termination of all dispensing of recalled products.

Pricing criteria can be managed by corporate by updating all pricing tables on the PHI *ProINTERCEPT* system. Virtually any pricing algorithm can be implemented via special application programming interfaces specific to each customer. This guarantees that a client's cash pricing remains proprietary, while providing for the chain's competitive sensitivities within markets via pharmacy designations. Reporting by *ProANALYST* provides profitability grouped by Region, District, and/or Market.

Drug Utilization Review

Any or all prescriptions may be profiled, to participate in on-line Drug Utilization Review edits. These edits occur after Pre-Adjudication for cash and non-on-line third party transactions, and during adjudication for on-line third party transactions.

If so profiled, the **ProINTERCEPT** application will invoke a specially created version of the MediSpan THE SOLUTION? application. Modified for the demanding requirements of high-performance on-line transaction processing, this application will edit the inflight prescription against all prior historical prescriptions for the same patient for:

☐ **Features**

- Drug-Drug Interactions.
- Duplicate Drug Therapies.
- Over/Under Dosing.
- Drug Therapy Duration.
- Patient Compliance.
- Early Refill.
- Implicit Medical Conditions.

ProINTERCEPT analyzes and validates the prescription being dispensed against the global database of information of prior prescriptions from all stores in the pharmacy chain.

Identification of the individual follows the NCPDP DUR work group committee's recommended method of uniquely identifying individuals across plans. Optionally, these edits may be applied only for prescriptions under a single plan or filled only as cash.

Past experience of Prospective Health personnel indicates that patient profiles for retail patients are difficult, at best, to obtain and difficult to maintain. This decision is backed up by analysis from the NCPDP DUR committee, as documented in the second draft of the ORDUR (On-line Real Time DUR) Applications Manual. Further, the patient's allergies and medical conditions are best validated at store level. Most in-store pharmacy applications already provide this functionality. Thus **ProINTERCEPT**, via MediSpan's DUR, will not edit against specific allergy and medical conditions unless the patient is "registered" on the central system, and his/her allergies and medical conditions have been profiled.



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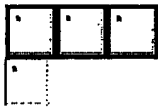
EXHIBIT J

PHI ProANALYST



Access to information is critical. A system needs to provide quick and reliable information to both customers and management. The PHI *ProINTERCEPT* system provides this capability via the *ProANALYST* module. With over 100 standard reports, the system delivers a wide range of reports by carrier, plan, group, patient/member, provider (pharmacy and prescriber), drug manufacturer, drug class and dispensing patterns. Due to the relational technology of the system, all data fields are available for reporting purposes.

In addition, *ProANALYST* provides access to the centralized relational database via Structured Query Language (SQL). SQL allows ad hoc query and reporting against any combination of data elements contained in the database. This ability opens up a host of other possible opportunities for the retail pharmacy chain, ranging from marketing research, to patient compliance programs, comparative plan/group analysis, and provider peer review.



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EXHIBIT K

PHI ProPBM - Executive Summary



EXECUTIVE SUMMARY

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Pharmacy providers have evolved in the use of more sophisticated point of sale computer systems. Similarly, PBM's are finding it necessary to upgrade their own systems in order to keep pace with the industry and take advantage of opportunities associated with the control and management of prescription data.

Today, PBM's are demanding software solutions which will allow them to obtain total centralized control of pharmacy providers and the resulting prescription data, so as to provide both cost savings and a higher level of patient care. The Prospective Health system is that solution.

PBM legacy systems are often designed around aging technology and are typically deficient in a number of areas, including:

- Benefit design flexibility.
- Effective formulary control.
- Edit capabilities.
- Drug Utilization Review.
- Provider audit capability.
- Cognitive Services tracking.
- Payer/Provider reporting.
- Advanced Pharmacy/Physician Networking.
- Client/Server Architecture.
- Intuitive user interface.

ProPBM effectively addresses these issues. On the following pages you will find an overview of the **ProPBM** system capabilities. We encourage you to examine this in detail and to contact us for a demonstration of the system. Thank you for your interest in PHI.



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EXHIBIT L

ProPBM - Overview



ProPBM is the pharmacy benefit management solution for centralized editing, adjudication, and control of multiple provider sites for pharmacy benefit management organizations.

Since the system operates in a real time, client/server environment, **ProPBM** edits or edit changes take effect immediately. This ensures accurate adjudication according to pricing and benefit parameters defined by the pharmacy benefit management organization

The same control applies to all aspects of the system, including; plan formularies, pharmacy and physician networks, pricing, MAC lists, copay schedules, etc.

ProNET, the system's switch module, handles point-of-service prescription transactions in the NCPDP's standard 3.2 format from any software in place at pharmacies. **ProNET** supports X.25 communications protocol for in-bound prescription traffic, and SNA, BiSync, X.25 and other communications protocols for direct connect to all major third party administrators.

Additionally, the system allows you to profile any or all prescriptions for on-line Drug Utilization Review by way of a specially created version of MediSpan's THE SOLUTION ? application. Modified for the requirements of high performance on-line transaction processing, this application edits the prescription against prior database history. Identification of the patient/member follows the NCPDP recommended method of uniquely identifying individuals.

Selected system capabilities:

- Complete member eligibility tracking.
- Sophisticated help desk system(ProHelpDesk).
- Comprehensive pricing routines for copays, ingredient costs, and cognitive fees.
- Support of both "positive" and "negative" formularies at the drug store and drug class levels.
- Edits for "network" provider - both pharmacy and prescriber.
- Tracking of patient/member deductibles.
- Adjudication guidelines defined at the carrier, plan, group, and sub-group levels.
- Maximum/Minimum quantity based on days supply or units dispensed.
- Maintenance dosing controls.
- Accomodate special billing formats.
- Early/Late Refill controls.

ProPBM will process over 200 million transactions in 1997!



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PHI ProINTERCEPT - Executive Summary

EXHIBIT M



EXECUTIVE SUMMARY

In recent years, the retail drug industry has matured in its use of in-store computer equipment and software. Driven to respond to the requirements of third party prescription drug programs and manufacturer price increases, virtually every pharmacy today is computerized.

As the implementation of pharmacy in-store systems evolved, most retailers were submerged with the efforts involved in the process itself, and management of the retail chain's distributed systems has been accomplished via off-hours transfer of information in batch mode.

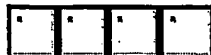
This approach has allowed a limited information exchange between the central office and each remote "island of information", but provides no solution for current pressing industry issues.

Today, pharmacy managers are demanding software solutions which will allow them to obtain total, centralized control of their "islands" so as to provide both cost savings and better patient care.

The corporate office is demanding:

- Centralized Formulary Controls.
- Centralized Pricing Management.
- Centralized Inventory Controls.
- The ability to manage constantly changing and increasingly complex third party drug program requirements.
- Centralized prescription history, facilitating chain-wide Drug Utilization Review.
- The ability to manage pharmacy dispensing patterns and to report on Cognitive Service performed by the pharmacy provider.
- Validation of increasingly complex dispensing decisions made by their pharmacists.
- On-line, prospective audits of third party administrators' adjudication decisions prior to the dispensing of medications to patients.

ProINTERCEPT effectively addresses these issues. On the following pages you will find an overview of the *ProINTERCEPT* system capabilities. We encourage you to examine this in detail and to contact us for a demonstration of the system. Thank you for your interest in PHI



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EXHIBIT N

Hello, and thanks for stopping by the *Prospective Health, Inc.* website. PHI is an industry leader in developing OLTP Client/Server applications for the pharmacy industry. On the following pages you will find highlights about PHI's applications. Please feel free to contact us at (800) 305-5577 with any questions you may have.

☐ [PHI ProINTERCEPT](#)

☐ [PHI ProPBM](#)

☐ [PHI ProANALYST](#)

☐ [PHI - Business News](#)

☐ [PHI Officer Profiles](#)

☐ [PHI Employment Opportunities](#)

☐ ☐

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EXHIBIT O

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USA TODAY

December 10, 1997, Wednesday, FINAL EDITION

SECTION: MONEY; Pg. 1B

LENGTH: 265 words

HEADLINE: A 'smart card' for medical bills?

BYLINE: Steven Findlay

BODY:

A service launched Tuesday could ease one of the most annoying headaches of modern times: the processing of medical bills.

The initiative by several technology companies -- including MCI and Digital Equipment -- pairs a "smart card," which looks like a credit card and has a microchip, with new software to process bills electronically and instantaneously.

Insurers and managed care companies would give enrollees a card containing their coverage information. The technology consortium would lease computers and software to doctors, hospitals and other health providers for \$ 250 a month.

Payment processing would start with a swipe of the card in a doctor's office. Patients would see what their insurance will pay before leaving.

"We think this will reengineer how Americans pay for health care," says Mark Morris, co-founder of RealMed, the consortium's lead company. Gemplus, a French firm, will provide the smart cards.

About 40% of the 3.7 billion medical bills issued each year are processed electronically. Even so, insurers take an average of a month to pay. About 30% of claims must be refiled or reviewed. Average processing cost: \$ 12 per claim.

Consortium members aim to pay doctors in 48 hours, cut the costs per claim roughly in half and slash the error rate.

"This sounds almost too good to be true," says Frank Goldstein, director of the Summit Medical Group in New Jersey, an 85-doctor practice. "I'll believe it when I see it."

The service won't be available until March or April, and no one has signed up for it yet.

LOAD-DATE: December 10, 1997

INDIANAPOLIS BUSINESS JOURNAL • OCTOBER 12-18, 1998

RealMed launches local pilot in Indy

RealMed Corp. is in the midst of a pilot program in Indianapolis that will either prove or disprove a system it has developed over several years to slash the time and expense of processing health insurance claims.



Not surprisingly, managers at the far-north-side start-up are optimistic.

"We think this [pilot] will prove the technology in the marketplace," said spokesman Dan Perrin.

That technology centers on a "smart card" patients use in lieu of the traditional insurance card.

The card carries a micro-processor loaded with information about a person's health background, insurance plan and demographics.

Presented at a doctor's visit, it is designed to act like a debit card for insurance claims, resolving them at the point of service and cutting processing expenses for both physicians and payers.

Backed by MCI, Digital Equipme

and smart-card maker Gemplus, the firm spent about five years working on the system.

RealMed officials are hoping for good results to shop around to investors and potential investors, and to recruit health insurance companies to the network.

While not identifying the insurance company or the physicians participating in the program, Perrin said the pilot involves 500 physicians from a range of specialties.

RealMed plans to release results of the project, launched in mid-September, in early November. Later that month, the company—which has satellite offices in Chicago and Lansing, Mich.—will announce when and in which city it will take the network live, Perrin said.

RealMed was spun off from locally based Eclipse America Corp. in 1995. It grew out

of Eclipse's development of software for medical savings accounts, which are essentially tax-free savings accounts for health care expenses.

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